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Annual Update

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Report Highlights:

Saudi Arabia is a \$6 billion import market for food and agricultural products, with the U.S. share accounting for 6 percent. U.S. agricultural exports to Saudi Arabia in 2006 increased 25 percent over a year earlier to about \$475 million. U.S. exports to Saudi Arabia in 2006 of consumer-oriented food products reached a record \$175 million. With a young and growing population, Saudi Arabia is expected to be growing market for U.S. food products in the years to come. This report provides guidance to U.S. companies that are interested in exporting high value consumer ready food products to Saudi Arabia.

Includes PSD Changes: No
Includes Trade Matrix: Yes
Annual Report
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I. MARKET OVERVIEW

POLITICAL SITUATION: The Kingdom of Saudi Arabia, located on the Arabian Peninsula, is a country of approximately 27 million people, including 7 million permanent non-Saudi residents. The country's current King is Abdullah bin Abdul Aziz Al Saud. The monarch is both the chief of state and head of government. Ministers are appointed by, and responsible to, the king. The Council of Ministers exercises both legislative and executive powers. The King also appoints a 150 member Consultative Council (Majlis al-Shura) that has an advisory function, but also can initiate legislation.

In recent years, Saudi Arabia has been engaged in fighting Al-Qaida-sponsored terrorism. Militants intensified attacks on Western and Saudi Government targets in early 2004. However, the government's continued campaign aimed at dislodging locally grown terror cells is showing results and the frequency of terrorist attacks have fallen in 2007. The overall political situation in the country remains stable.

ECONOMIC SITUATION: This is an oil-based economy with strong government controls over major economic activities. Saudi Arabia possesses 25 percent of the world's proven petroleum reserves, is the world's largest exporter of petroleum, and plays a leading role in OPEC. The petroleum sector accounts for roughly 75 percent of the Kingdom's budget revenues, 45 percent of GDP (estimated at \$338 billion in 2005) and 90 percent of export earnings. In 2005, the Kingdom earned about \$155 billion in net oil export revenue, up 35 percent over 2004.

Saudi Arabia's population is growing at about three percent annually, with 70 percent under the age of 30. The Kingdom's total population is projected to exceed 40 million in the next 20 years.

TRADE SITUATION: Saudi Arabia became the 149th member of the WTO on December 11, 2005. Trade and foreign investment are expected to benefit from the many commitments made by the Kingdom as part of its accession agreement. Saudi Arabia agreed to lighten trade restrictions and improve trade and investment opportunities in an effort to diversify its economy. The Saudi government is committed to reducing tariffs and eliminating import prohibitions in the manufacturing and agricultural sectors.

The Kingdom is a member of the Gulf Cooperation Council (GCC), which also includes Kuwait, Qatar, Bahrain, the United Arab Emirates and Oman. Membership confers special trade and investment privileges to member countries. Processed food products produced in any of these countries can be exported to other GCC countries duty-free. In January 2003, the GCC implemented its long awaited customs union. According to the agreement, the six member countries agreed to implement a five percent across-the-board duty rate on most imported foodstuffs that enter from non-GCC suppliers.

Saudi Arabia is also a member of the Arab League, which recently agreed to negotiate an Arab free trade zone.

AGRICULTURAL TRADE SITUATION: Saudi Arabia is the largest importer of agricultural, fish and forestry products among GCC countries. Potential for expanding agricultural production in Saudi Arabia is limited due to a scarcity of arable land and water. Future food

import dependence will continue to be high, and import volumes will grow proportionally with the population.

In 2006, the Kingdom's total agricultural product imports were valued at \$6 billion. High-value products accounted for 50 percent of total imports, while intermediate agricultural products were estimated at about one billion dollars. U.S. agricultural exports to Saudi Arabia in 2006 increased 25 percent over a year earlier to about \$475 million. (This figure includes Post's estimate of re-export shipments from the U.A.E. to Saudi Arabia). U.S. exports to Saudi Arabia in 2006 of consumer-oriented food products reached a record \$175 million. Most food product imports are subject to a 5 percent ad valorem duty. Corn, soybean meal, barley, crude/semi-refined corn oil and rice enter the Kingdom duty free.

The Government provides a rebate of \$43 per metric ton toward purchases of imported yellow corn and soybean meal, while barley importers receive a subsidy payment of \$112 per metric ton. These subsidies are paid directly to the importer. The subsidy on corn is based on U.S. number 2 yellow corn. Leading U.S. agricultural exports include: rice, yellow corn, soybean meal, planting seeds, crude and semi-refined corn oil, hardwood lumber, sweeteners, tree nuts (mainly almonds), snack foods, fresh apples and pears, processed fruit and vegetables, dairy products, red meat, and a wide assortment of other consumer-oriented products.

Saudi Arabia's biotech labeling requirements and additional manufacturer/producer statements for imported livestock and poultry meat remain major concerns for U.S. exporters. For religious reasons, the Kingdom requires a manufacturer/producer declaration that imported meat was derived from animals that were not fed feed containing animal protein, fat or remnants of animal origin.

Highlights for sales of US Agricultural, Fish and Forestry Products to Saudi Arabia in 2006:

Overall increase of 34 percent to \$475 million.

Intermediate agricultural products continue as the leading product category, with sales of approximately \$160 million.

U.S. exports of consumer-ready products reached a record high \$175 million.

Bulk products increased 38 percent to \$113 million.

Forest Products declined 23 percent to \$20 million.

REGULATORY SYSTEM: The Saudi Arabian Standards Organization (SASO) is the Saudi organization responsible for setting national standards for agricultural products and foodstuffs. While standards are set by SASO laboratories, the Saudi Ministry of Commerce and Industry (MOCI) tests imports of processed food items, and beef & poultry meat at various ports of entry. The Ministry of Agriculture is responsible for testing imported fresh fruit & vegetables, livestock, feed and seed. The Ministry of Municipality and Rural Affairs tests foodstuffs at the point-of-sale to confirm that they meet established food safety standards.

In December 2001, MOCI implemented its biotech labeling decree for processed foodstuffs. The decree requires positive biotech labeling if a product contains genetically modified vegetable (plant) ingredients. In a similar move, the Saudi Ministry of Agriculture (MOA)

implemented in January 2004, a comparable biotech-labeling requirement for animal feed and fresh fruit and vegetables. At the same time, the MOA banned imports of biotech seeds.

In February 2005, the Saudi Government announced the establishment of a national committee to conduct a comprehensive policy review of Saudi Arabia's biotech labeling requirements. In early 2006, the Committee distributed for public comment three sets of draft standards: (1) General Requirements for Genetically Modified Processed Food, (2) Feed and General Requirements for Genetically Modified unprocessed Agricultural Products and (3) General Requirements for Risk Assessment and Traceability. The comment period for the three draft standards ended in April 2006 and SASO is now reviewing comments received to determine if another set of draft standards will be issued for public review or whether enough information has been collected for SASO to issue final standards.

A summary of Opportunities and Constraints in the Saudi market for imported U.S. foodstuffs:

Opportunities	Threats
<p>The Saudi population is growing at about 3 percent annually. Total population is expected to expand from 27 million to 40 million in 20 years.</p> <p>The potential for agricultural production is limited and food imports will grow with the population.</p> <p>The market for retail food products is expanding.</p> <p>Changing lifestyles: The number of workingwomen is expanding and purchases of prepared food items are growing.</p> <p>Saudi consumers like to try new products and are shopping more often in supermarkets.</p> <p>The U.S. is considered a supplier of quality foodstuffs. Under normal political and economic conditions, U.S. origin and brand products have highly favorable consumer preferences and demand.</p> <p>Voluntary shelf life introduced in December 2005.</p> <p>More than 7 million pilgrims come to Mecca each year.</p> <p>A growing number of fast food restaurants, hotels and resorts and a thriving catering sector that depends heavily on imported, institutional-size food products.</p> <p>Young population: 70 percent of all Saudis are under the age of 30. Younger Saudis prefer Western-style foods compared to their parents.</p> <p>A rapidly growing food processing sector that depends on imported ingredients.</p> <p>Per capita income in 2005 increased to \$12,500</p>	<p>Various government subsidies have helped local food processors significantly lower their production costs and improves their competitiveness compared to imported U.S. foodstuffs.</p> <p>Locally produced food products also have an advantage over imported food products because they can be exported duty-free to any country within the Gulf Cooperation Council (GCC).</p> <p>Price competitiveness of foodstuffs imported from Arab, South Africa, Latin America, and Asian countries has significantly reduced the market share of the U.S. agricultural products in the past few years.</p> <p>Freight costs from the U.S. are higher than those from Europe and Asia.</p> <p>Local importers prefer to initiate import activity with small quantities.</p> <p>Arabic and biotechnology labeling requirements increase costs.</p> <p>Halal certification required for all meat and poultry products exported to Saudi Arabia.</p> <p>Additional manufacturer or producer statements on the health certificate indicating that meat exported to Saudi Arabia is derived from animals that were not fed animal protein, fat or ruminant</p>

<p>thanks to rising oil export revenues.</p>	<p>material.</p> <p>Saudi regulations restrict the number of different food items in a container to 25.</p> <p>Saudi support for boycotts of American products for political reasons.</p> <p>An economy that is overly reliant on oil revenue and therefore subject to sharp swings due to volatile oil prices.</p> <p>Limited U.S. cooperator or SRTG activity for standard trade servicing.</p> <p>U.S. companies are hesitant to travel to Saudi Arabia to pursue export sales opportunities because of security concerns.</p> <p>Saudi importers have post 9/11 concerns about traveling to the U.S. to attend agricultural trade events.</p>
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Analysis of Opportunity and Threats

A. Opportunity

Food products made in the United States are generally viewed as meeting higher quality standards compared to imports from other countries and those produced locally. Under normal political and economic conditions, U.S. origin and brand products have highly favorable consumer preferences and demand. Each year, several new-to-market U.S. food products are introduced to Saudi Arabia market particularly following FMI/USFES and regional shows such as Gulfood organized annually in Dubai. Saudi consumers like to try new products and are shopping more often in hypermarkets and supermarkets. The rapid increase in the number of hypermarket and supermarket outlets throughout the Kingdom offers ample opportunity to distribute high-value U.S. food products. Saudi Arabia's population is growing at about three percent annually and its population is projected to reach 40 million in the next 20 years. With a young and rapidly growing population, Saudi Arabia will continue to be a growth market for U.S. food products in the years to come.

B. Weaknesses

Growing competition from both locally produced and competitively priced imported food products from third countries threaten the continued expansion of U.S. foodstuff exports to the Kingdom. Food products produced in Gulf Cooperation Countries (GCC) countries

--Bahrain, Qatar, U.A.E., Oman and Kuwait-- enter Saudi Arabia duty free. Foodstuffs imported from other Arab countries, South Africa, Latin America, New Zealand, Australia and Asian are often lower priced than similar U.S. products. This has reduced U.S. market share of Saudi import market in recent years.

II. EXPORTER BUSINESS TIPS

Local Business Customs

All food products are imported by the private sector. The vast majority of food products are subject to a 5 percent import duty. Selected products produced in significant quantities carry a 12 or 20 percent import duty. For instance, imported poultry meat, table eggs and ice cream are charged a 20 percent import duty while peanut butter and mayonnaise are subject to a 12 percent duty. Rice, coffee, tea and red meat enter the country duty free (our Trade Policy Monitoring report SA6006 provides detailed information on the Saudi Arabian Applied Tariff Rates for Agricultural Products). For religious reasons, Saudi Arabia bans imports of alcoholic beverages, live swine, pork and food ingredients or additives that contain pork products, including pork fat and gelatin. Meat and poultry shipments must be accompanied by a "Halal" slaughter certificate issued by an Islamic center in the country of origin. Additional statements on the health certificate accompanying poultry and livestock meat shipments must indicate that the animals slaughtered for export to the Kingdom were not fed with feed containing protein, fat or remnants of animal origin and were not treated with any growth hormones.

There are dozens of food importers in the Kingdom, with about 25 accounting for the bulk of food imports from the United States.

1. Private labels are becoming common in Saudi Arabia. Some large Saudi importers pack foodstuffs under their own brand names locally and in foreign countries, including in the United States. These firms have developed private labels, which appeal to Saudis and other Arabs in the Kingdom. Others use labels with Western-sounding names to appeal to British, Americans, and other Western expatriates. Salim Basamah Company, perhaps the largest importer of grocery products in Saudi Arabia, places its private label, "Goody" on a wide variety of food products imported from the United States. "Goody" appeals to American, British, and other Western expatriates. Another large importer uses an Arabic sounding private label, "Al-Alali" to appeal to Saudis and Arabs, even though a significant percentage of his products are American origin.

Hence, a can of American peaches can be marketed in Saudi Arabia under several different labels:

- under an established U.S. brand such as Monarch or Libbys
- under a Saudi private label: like Goody, Freshly or Al-Alali.
- a U.S. private label representing the exporter/consolidator: such as American Garden or AFFCO.

2. Some importers contact directly with U.S. companies manufacturers of national brands, such as Kellogg's, Campbell Soup, Budweiser non-alcoholic beer and usually require sole agency agreements. The Saudi importer will help build the brand, but will request support from the U.S. company. The U.S. manufacturer usually offers promotional and marketing assistance.

3. Some companies import a wide range of food products for mass distribution, employing the use of consolidators in the United States. Often, the consolidators are sole regional agents of major U.S. manufacturers or brand owners covering the entire Middle East and African regions. Most U.S.-based consolidators assist Saudi food importers by sourcing products from wholesalers, such as Fleming, and providing services such as placing stickers on labels. Current Saudi regulations allow U.S. suppliers to place an Arabic language sticker on the original English language label. The stickers translate key ingredient and product information into Arabic. Stickering is a laborious task and most manufacturers do not want to bother with this. Most U.S. consolidators are based in Houston, New York, Miami and in other port cities that have large wholesalers.

4. The two French hypermarket chains Géant and Carrefour as well as many locally-based supermarket chains, especially those with the ability to handle large volumes, are directly importing part of their needs. One local company that owns a modern supermarket chain imports several containers of American food products each month for sale in its stores, lending support to a wide range of brands without a binding agency agreement.

If a product has performed well in the market, a U.S. company may opt to go beyond the sticker stage and develop a bilingual label in both Arabic and English. Monarch is one of many U.S. companies, which have developed bilingual labels for the Middle East. Non-alcoholic Budweiser beer was launched in the Kingdom in 1999, with a red, white, and blue bilingual label. However, a significant number of U.S. origin grocery items found in Saudi supermarkets continue using stickers.

Saudi importers are constantly searching for new products, and often request support from suppliers for promotion and advertising. The Saudi consumer is a discriminating consumer, closely examining labels and looking for the best deal. Advertising is considered a necessity to win Saudi consumers. Two-for-one deals are very popular in large supermarkets in moving items that are approaching their expiry dates. Major Saudi supermarkets are in the initial stage of introducing category management. As the system becomes more popular, many product brands are expected to be eliminated. The entrance of the two French hypermarket chains Géant and Carrefour in Saudi retail market in 2004 along with the opening of Hyper Panda (local chain) in the same year has launched a new era of retailing in the Kingdom characterized by a state of the art shopping experience and aggressive competition. Hyper Panda is owned by Al Azizia-Panda Inc. This is the largest supermarket chain in Saudi Arabia with 50 outlets distributed in all major cities of the Kingdom. Local distributors (depending on the size and power of the distributor) are being asked for listing fees ranging from \$1,333 to \$5,333 per Stock Keeping Unit (SKU) by major hypermarkets. The bigger the distributor, the more power he has to negotiate a lower listing fee. In addition to listing fees, distributors are asked to provide a specified percentage rebate on total annual turnover, contribute to advertising campaigns, carry out store merchandizing activities for its products seven days a week, provide at least 60 day payment terms, rent gondolas and reimburse for expired items. Distributors frequently authorize retailers to conduct special offers to consumer such as buy one and get one mainly for products with 60 days or less of remaining shelf life.

Client Base and Consumer Preferences

Saudi Arabia is located between Europe and Asia. With its large expatriate population, the Kingdom is a multi-ethnic society. Consequently, foods from around the globe are

found in Riyadh, Jeddah, Dammam, and other urban areas in the Kingdom. There are two basic consumer categories in the Kingdom:

Saudi citizens (19 million)

Expatriates workers residing in the Kingdom (8 million)

Saudi consumers are discriminating consumers and enjoy new food products. With a young and growing population supporting a significant increase in retail outlets, U.S. food and agricultural exports to the Kingdom will continue to expand in the coming years.

A growing import demand for institutional-size food products by the catering sector is being driven by the large number of expatriate third country nationals working in Saudi Arabia and the increasing number of foreign pilgrims visiting the two holy cities (Mecca and Madina). There are more than eight million expatriate workers residing in the Kingdom, most of who are from the Sub Continent of Asia (India, Pakistan, Bangladesh) and the Philippines. The number of foreign pilgrims coming for Haj and Umra rituals is estimated at about five million per annum.

Dining at fast food restaurants is popular among Saudi families and expatriate workers. International fast food chains such as KFC, Burger King, and McDonald's together with local chains such as Herfy import at least part of their food needs from the United States. Large catering companies, especially those serving Western expatriates, also buy a portion of their requirements directly from the United States.

Most expatriates are from South Asia (Indian, Pakistan, Bangladesh, Sri Lanka) Egypt, Sudan, Yemen, the Philippines, and East Africa in recent years, the number of Western expatriates residing in the Kingdom has declined significantly due to continued terrorist threats targeting mostly American and other Western citizens in Saudi Arabia. American and Europeans living in the country tend to generally meet professional occupational needs. Some Saudi supermarkets employ Americans and British general managers, operation managers, and executives.

Saudi and Western expatriates are the largest consumers of American consumer-oriented products and the principal shoppers in Class A supermarkets. The Saudi consumer is becoming increasingly educated about quality, nutritional value, price, and packaging. Saudis pay attention to expiry dates on products. Saudis and Westerners enjoy new products and supermarket managers are aware that those companies offering a wide variety of products will have the best chance for prospering in this competitive market.

A recent trend in the Kingdom has been the decline in canned food products in favor of fresh or frozen food items. Frozen foods are perceived by consumers as being fresher than canned foods. Changing lifestyles and an increasing number of women entering the workplace are driving demand for prepared foods. A significant percentage of Saudis continue to purchase a large percentage of their food at wholesale markets, but more and more Saudis are shopping regularly at supermarkets and hypermarkets. Hypermarket/supermarket shopping is considered a primary form of entertainment for the Saudi family. Recently introduced hypermarkets are huge (up to 100,000 square feet), offer up to 60 checkout counters, and provide more than 55,000 items including foodstuffs, clothing, tools, toys, computers, and various electronics. Some supermarkets have built large play areas for children and are surrounded by, specialty shops such as photo, music, and fast food outlets.

Corner grocery stores, commonly referred to as bakalahs, are found in every neighborhood in the Kingdom. They cater mainly to Saudis and third country nationals. Despite the tremendous increase in the number of Class A supermarkets and the growing number of hypermarkets, the number of bakalahs has not decreased, as once predicted. Perhaps the main reason for this is that women cannot legally drive cars in Saudi Arabia. Also, many third country nationals working in the Kingdom do not own automobiles. Most expatriate housing compounds contain one or two grocery stores. The Saudi company, "Arabian Food Supplies," has small grocery stores located in many "Western" compounds in Riyadh, Jeddah, Al-Khobar and in SAUDI/ARAMCO compounds. The number of corner grocery stores is increasing in response to urban expansion. They are filled with many imported consumer-oriented products. Most have the capability to offer frozen foods, and all contain refrigerators.

If, and when, women are legally allowed to drive in the Kingdom and if Saudi-ization results in the departure of more third country national expatriates from Saudi Arabia, some analysts expect that the number of bakalahs will decrease significantly. The Saudi government has put teeth over the past few years in its long-standing Saudi-ization program by compelling private sector firms to increase the percentage of Saudis in their workplace by five percent per year. For example, the Saudi Government decreed in 2004 that all checkout counters at hypermarkets\supermarkets must be manned exclusively by Saudi citizens. In 2000, the government banned expatriates from working in fruit and vegetable markets and in 2002 the ban was extended to bakalahs (corner stores) with less than 40 square meters. There are more than 50,000 bakalahs in the Kingdom.

In addition to corner grocery stores, there are thousands of ethnic stores in the Kingdom, catering to Indians, Pakistanis, Filipinos, and other Asians. Foods from many parts of the world are found in the Kingdom.

Food Standards and Regulations

Key Saudi regulations which U.S. exporters must and adhere to include:

- ☐ Manufacture determined production and expiration dates (for most foodstuffs)
- ☐ Arabic labeling
- ☐ Biotech Labeling
- ☐ Halal Slaughtering
- ☐ Animal feed and growth hormone free certification for imported meat

Shelf Life

In December 2005, Saudi Arabia implemented a voluntary shelf life standard (manufacturer-determined use-by dates) for most foodstuffs, with the exception of selected perishable foods (fresh or chilled meat and poultry; fresh milk and fresh milk based products; margarine; fresh fruit juice; table eggs, and baby foods) that must meet Saudi Arabian Standards Organization's (SASO) established mandatory expiration periods. The revised standard (SASO 457/2005) will no longer ban imports of food products with less than half of its shelf life remaining.

Shelf life can only be shown by clear and unambiguous production and expiration dates. The use of any of the following statements for expressing expiration date is permissible.

- ❖ Expiration Date
- ❖ Use by (date)

- ❖ Fit for (from the day of production)
- ❖ Use Before (date)
- ❖ Sell by date (for food products having an expiration period exceeding 3 months).

The production and expiration dates should be declared on the label of the package in uncoded manner as follows:

- ❖ Day-Month-Year: for foodstuffs with an expiration period less than three months.
- ❖ Month-Year: for foodstuffs with expiration exceeding three months.

Dates shall be engraved or in relief, printed to stamped with permanent ink directly on all packages or on their original label by the producer only. Adding stickers for production and expiration dates is not permissible. There shall be not more than one date of production or of expiration on the same package. Both dates shall not be subject to deletion, change or deceit.

Products with No Specific Expiration Date: for products with no specified shelf life such as salt, spices, milled rice, etc. only the date of production or processing need be shown as: mm/yy.

We recommend that when putting together an order for a Saudi importer, a U.S. exporter cross check information contained on his/her food label, including Production/Expiration dates, with the Saudi buyer. FAIRS report SA6008 provides detailed information on the Saudi Arabia's food and agricultural import regulations.

General Prepackaged Foodstuffs Labeling

Regulations for labeling of prepackaged foodstuffs are found in Gulf Standard 9/1995. In sum, prepackaged food product labels should be in Arabic or include an Arabic language translation of the label. At a minimum, product labels must contain the name of the product, name of the packer, country of origin or manufacture, listing of ingredients, consumer instructions, and production/expiry dates.

Biotechnology Labeling

On December 1, 2001, the Saudi Ministry of Commerce and Industry (MOCI) implemented the Ministerial decree number 1666 issued on December 11, 2000 regarding labeling of foodstuffs containing biotech animal products.

Following is the summary of the MOCI's Directive No 1666:

1. Ban on Biotech Animal Products: One of the main features of the Ministerial Directive No 1666, is the **IMMEDIATE AND TOTAL** ban placed on the importation of foodstuffs containing genetically engineered animal products to the Kingdom. The decision was likely taken based on a justification to make sure all imported foodstuffs are Halal and do not contain products from swine and other animals banned for consumption by the Islamic religion.

2. Positive Biotech labeling: If a product contains one or more biotech plant ingredient, the information should be clearly communicated to the consumer by labeling. A triangle should be drawn and in it the text should read "**Contains Genetically Modified Product (s).**"

3. Bilingual Labeling: The biotech statement must be clearly written in both Arabic and English languages with an ink different from that of the main product.

4. Health Certificate: Biotech products or genetically engineered products, which are exported to Saudi Arabia, must have been approved in the country of origin for human consumption. Each shipment must be accompanied by a health certificate issued by biotech licensing government agencies (such as the FDA) stating that the biotech ingredient (s) used in the foodstuff is approved in the country of origin (United States) for human consumption. One certificate could be issued that certifies a list of biotech items used in a foodstuff.

5. Quality Standard: All biotech foods products should be in compliance with legal and ethical controls observed in the Kingdom and must meet pertinent Saudi Arabian standard specifications.

6. Locally Produced Foodstuffs: The biotech labeling requirements will also apply to locally produced agricultural products.

Certificate of Islamic Slaughter

Per Saudi Arabia Standard No. SSA 630/1998 (Animal Slaughtering Requirements According to Islamic Law), a Certificate of Islamic Slaughter must be issued for all meat and poultry products entering the Kingdom of Saudi Arabia. This certificate is issued by Islamic institutions in the United States, which are recognized by the Saudi Embassy and/or Consulates. Information related to the approved Islamic institutions may be obtained from the Saudi Embassy in Washington, D.C. or the nearest Saudi Consulate (New York, Houston, Los Angeles). Post Export Certificate report SA6014 provides detailed information on halal and a producer or manufacturer self-certification to cover any additional requirements not related to food safety or animal health issues such as animal protein free feed declaration.

General Import and Inspection Procedures

The majority of Saudi food imports enter the country via Jeddah port on the Red Sea or Dammam port on the Arabian Gulf. About two-thirds of all foodstuffs enter Jeddah. Imports from Jordan, Syria, and nearby countries enter the Kingdom by truck.

King Khalid International Airport in Riyadh and King Abdulaziz International Airport in Jeddah also receive significant quantities of food items, particularly fresh fruits, vegetables and chilled meat. Fresh and chilled products are usually cleared within 24 hours of arrival.

Import of Samples

Samples destined to potential Saudi buyers or for display in food shows are exempt from Saudi labeling and shelf life regulations but are subject to inspection at ports of entry. Samples, usually sent to Saudi Arabia by DHL and similar carriers, require a commercial invoice specifying that the product is not for sale and has no commercial value. The invoice will provide information such as consignee's name and address, details of product (s) and country of origin of the product. A packing list also is useful if samples of many different products are shipped. The documents do not require legalization by the Saudi mission (an exporting company stamp and signature are sufficient.) It is advisable to show on the

invoice a nominal value of \$5 -\$10 for Customs purposes and state that the goods are "Not For Sale – No Commercial Value".

For clearance of a commercial sea or airfreight cargo exceeding \$500, a full set of documentation is required. For courier samples which do not require special certifications such as Halal, an invoice and country of origin certificate will be sufficient, provided the value a sample is not more than \$10,000.

A Two-Stage Document Notarization Procedure

First Notarization Stage

Depending on the types of certificate required for a particular agricultural product, the following documents must be signed by an authorized person or agent and authenticated either by the National U.S.-Arab Chamber of Commerce, any U.S. - Arab Chamber of Commerce, the U.S.-Saudi Arabian Business Council, or the U.S. Chamber of Commerce located in the city or area where the exporting firm is based. Some American exporters use a local U.S. notary public service to meet this first stage authentication requirement.

- ❖ Phytosanitary Certificate (for animal, plant, seed and grains)
- ❖ Country of Origin Certificate
- ❖ Halal Certificate for meat and cheese products if the rennet used in the cheese is of animal origin.
- ❖ Radiation Free Certificate (for foodstuffs imported from former USSR countries and Europe.) Dioxin Free Certificate (for foodstuffs imported from Europe (usually dioxin free statement is included in the health certificate).
- ❖ Quality Analysis Certificate for Grains
- ❖ Seed Analysis Certificate
- ❖ Official Biotech Free Certificate
- ❖ Fumigation Certificate
- ❖ Veterinary Certificate

Other required export documents, including a bill of lading, a packing list and weight certificate do not need notarization.

Note: On March 29, 2006, the Saudi Arabian Customs Authority issued a memorandum to drop a requirement that a Saudi embassy or consulate notarize commercial invoices and country of origin certificates issued by exporting companies to clear shipments on arrival at Saudi ports. Saudi Customs will accept the original commercial invoice and a country of origin certificate attested by a local chamber of commerce located in a city or area where the foodstuff are purchased and shipped. This measure is expected to save time and money for U.S. foodstuffs exporters to Saudi Arabia.

Second Notarization Stage

After the first attestation, documents should be forwarded to a Saudi Consulate or the Saudi Embassy in the U.S. for a final attestation.

Certification Fees

Certification fees vary depending on the certifying organization. For example, the National U.S. Arab Chamber of Commerce charges \$25.00 per page, while the U.S.-Saudi Arabian Business Council and Saudi consulates, respectively, charge \$15 and \$8 per page to certify commercial documents. Fees are paid by company checks or money orders

Product Inspection

The MOCI inspects all imported foodstuffs at the port of entry, with the exception of herbal preparations. The Ministry of Health inspects health and supplementary foods, while the Ministry of Agriculture tests live animals, plants, seeds and feed. If a consignment is rejected for not adhering to Saudi standards, the importer is requested to either re-export or destroy the product in the country.

Customs Clearance

As stated earlier, shipments of food products must be accompanied by a commercial invoice, health certificate, and other selected documents. An importer is responsible for translating the commercial invoice into Arabic (per Saudi Customs requirements) and to provide the translated document to his Customs agent in order to start the clearing process. Containers are normally cleared in less than ten days provided all documents are in order and imported products meet Saudi standards and specifications.

If the Ministry of Commerce and Industry's laboratory at the port of entry rejects a product, an importer may submit an appeal calling for a retest. The appeal must be submitted in writing to the Director General of the Quality Control and Inspections Department of the Ministry of Commerce and Industry. If an appeal is accepted, the Director General orders a retest by another laboratory. If the second test verifies initial results, the exporter is ordered to re-export or destroy the product.

Banned Products

For religious reasons, Saudi Arabia bans imports of alcoholic beverages, live swine, pork, and foodstuff ingredients or additives that contain pork products, including pork fat, and gelatin. Other banned products include meat of asses, mules, hinnies (fresh chilled, or frozen), frog legs, poppy seeds, hemp seeds, opium and hops and swine leather.

III. MARKET SECTOR STRUCTURE AND TRENDS

Retail Sector

Currently, there are nine hypermarkets in the Kingdom based in the three major cities Riyadh, Dammam and Jeddah. In 2006, the number is estimated to reach up to 15 outlets as the three hypermarkets (Hyper Panda, Géant, and Carrefour open new branches in Riyadh, Eastern Province and Jeddah. Class A and B supermarkets in the Kingdom total more than 300 and are increasing in number. Most are comparable to those in the United States. Major supermarket chains include Tamimi Markets, Al Azizia-Panda, Giant Stores (no relation to Giant in the United States), Al Raya, Watani, Danube, Farm, Al Hamada, Al Sadhan Markets, Universal Marketing Centers, Marhaba Markets, Bin Dawoud and Star Supermarkets. All of these supermarkets have modern frozen food sections and handle a number of food products from the United States. Tamimi Markets and Al Azizia-Panda import fresh fruit and vegetables directly from the United States, such as strawberries, apples, celery, lettuce, and other selected produce are flown in while others are shipped in containers. Tamimi and Al Azizia-Panda also import a significant percentage of dry goods, chilled beef, and dairy products directly from the U.S., employing the use of consolidators.

Tamimi Markets began as a partnership with Safeway USA, but has been wholly owned by the Tamimi family since late 70s. Tamimi continues, however, to sell Safeway brand products. All supermarket chains in the Kingdom are wholly owned by Saudi companies with the exceptions of Géant, and Carrefour, which are joint ventures between French owners and Saudi investors. Western expatriates, mainly American and British, manage a few local supermarkets. Al Azizia-Panda, the largest local supermarket chain, has grown from a few stores in the early 1990 to more than 50 stores today, mainly through acquisition of existing supermarket chains.

The supermarket business has become very competitive. Larger volumes will enable selected chains to import directly, in an effort to lower costs. Currently large supermarket chains are importing a percentage of their stock directly, but the majority of imported foodstuffs continue to be handled by local importers.

Strict shelf life regulations imposed by the Saudi Arabian Standards Organization makes inventory control a challenge. Saudi supermarket chains get reimbursed from distributors for products expired on the shelf. If unopened cartons of products stored with retailers expire, distributors do not have the obligation to take them back. Supermarkets also depend on merchandising services offered by importer/distributors, i.e., stocking shelves and keeping inventory. Many supermarkets also earn significant revenues from suppliers in the form of listing fees, gondola/shelf space rentals and various fees and discounts. It is not unusual for major supermarket chains to receive up to 90 days credit terms from their suppliers.

The recent introduction of hypermarkets and continued increase in the number of supermarkets in the Kingdom have produced stiff competition among retailers as each hypermarket and supermarket chain strives to gain a larger client base. Managers are looking to cut costs and expand product range. Competitive pricing is essential, but promotional and advertising support are key as well as the ability of a vendor to offer a wide selection of products. Advertising is often geared toward women, who play a greater role in purchasing decisions.

Many countries including the European Union, China, India, Australia and New Zealand are active in offering promotional assistance to local importers. Most suppliers offer attractive credit terms and price discounts on bulk purchases. Many provide promotional materials and assist with advertising. France and Brazil dominate the frozen poultry trade through attractive financing and pricing. Australia and New Zealand provide "point-of-sale" material to retailers to promote mutton and sheep meat. Until late 2000, ATO Riyadh regularly sponsored the American Food Festivals but the activities were put on hold due to the strong anti-U.S. sentiments in the Kingdom following the second Palestinians uprising (Intifadh) in fall 2000 and the U.S. invasion and occupation of Iraq in 2003, which exasperated the sentiments further.

Food Processing Sector

Local manufacturing of food products has expanded rapidly over the past few years. The Saudi government has assisted the food industry by providing attractive financing and subsidies on some equipment and by imposing higher import tariffs up to 20 percent on selected imports that compete with locally produced products (poultry meat, table eggs, sugar, macaroni and similar products, etc.). Locally produced food products also have an advantage over imported food products because they can be exported duty free to other countries in the Gulf Cooperation Council (GCC): Kuwait, Oman, Qatar, Bahrain, and the United Arab Emirates. Hence, the market for locally manufactured products consists of the entire Arabian Peninsula, including Yemen. The expanded market has prompted many international companies to set up licensing agreements with local manufacturers in Saudi Arabia to produce their brand. Such companies include Kraft/General Foods, Frito Lay, Delmonte, Pepsi, and Coca-Cola.

Potato chips, snack foods, juices, biscuits, peanut butter, hot sauce, cookies, cereals, and ice cream are all produced in the Kingdom. However, processed food products "produced" in Saudi Arabia depend heavily on imported ingredients.

Food Service Sector

About 70 percent of Saudis are in their teens. Dining at fast food restaurants is popular and is a major form of entertainment for the Saudi family. International fast food chains such as KFC, Burger King, McDonald's, Chili's, Fuddruckers, TGI. Fridays, Pizza Hut, Dominos, and local chains such as Herfy, Al-Beck, Taza, Dajen, and Kudo continue to expand and are found in major urban areas. Many of the international fast food chains and selected local outlets such as Herfy import a significant share of required ingredients directly from the United States.

The demand for institutional-sized food products by the catering sector remains strong because of the large number of ex-pats (8 million) and the huge number of pilgrims visiting the Kingdom to perform Haj or Umra (more than five million annually). The Muslim pilgrims usually stay from two weeks to up to two months in the cities of Mecca, Medina, and Jeddah and require room and board. Also, with the new Saudi Government emphasis on tourism, Muslim pilgrims are allowed to visit other cities and stay up to two months in the Kingdom. This will further increase demand for food products.

A recent trend has been an increase in the number of resorts in the Kingdom, catering mainly to Saudis and other Arabs. Many are being built on the Red Sea and the Arabian Gulf.

IV. BEST HIGH-VALUE PRODUCT PROSPECTS

The following is a list of some consumer ready food products with high export potential.

- Potato chips and savory snacks
- Mayonnaise, tomato ketchup, and sauces
- Beverage ingredients
- Non-alcoholic beer
- Cheese
- Tree nuts
- Milk products, including infant formula
- Red meats
- Fresh apples and pears
- Processed fruits and vegetables
- Jams and jellies
- Fruits and vegetable juices
- Honey
- Sweet pastry and biscuits
- Dietetic foods

V. KEY CONTACTS AND FURTHER INFORMATION

Agricultural Trade Officer
American Embassy
P.O. Box 94309, Riyadh 11693
Saudi Arabia
Tel: 966-1-488-3800, Extension 4351
Fax: 966-1-482-4364
Internet E-Mail Address: Agriyadh@usda.gov

Food standards are set by the Saudi Arabian Standards Organization (SASO), with product inspection done by Saudi Ministry of Commerce and Industry Laboratories at various ports of entry. The following are coordinates for SASO and the Ministry of Commerce and Industry:

Mr. Nabil Molla
Director General of SASO
Tel: 966-1-452-0000
Fax: 966-1-452-0086

Mr. Mohammed Al-Debasi
Director General, Quality Control and Inspection Department
Ministry of Commerce and Industry and Industry
Tel: 966-1-402-1446
Fax: 966-1-402-2539

Live animals, plants and animal feed are inspected by the Saudi Ministry of Agriculture and Water (MAW). Following are coordinates of some of the important departments.

Dr. Abdulgani Al Fadil
Director General
Plant and Animal Quarantine Department
MAW
Tel: 966-1-404-4292
Fax: 966-1-401-1323

Mr. Mohammed Al-Mazroa
Director General (registers and testes seed as well as pesticides used in foodstuffs)
Agricultural Research Department
Ministry of Agriculture and Water
Tel: 966-1-405-5848/401-6666 ext, 2062
Fax: 966-1-405-5848

VI. APPENDICES

Table A. Key Trade and Demographic Information

Agricultural Imports From All Countries (\$Mil)* U.S. Market Share	\$5,825
	4%
Consumer Food Imports From All Countries (\$Mil)* U.S. Market Share	3,092
	5%
Edible Fishery Imports From All Countries (\$Mil)* U.S. Market Share	127
	1%
Total Population (Millions) Annual Growth Rate	27
	2.8%
Urban Population (millions) Annual Growth Rate	N/A
	N/A
Number of Major Metropolitan Areas	15
Size of the Middle Class (Millions)/Growth Rate	N/A
Per Capita Gross Domestic Product (U.S. Dollars)**	\$ 12,500
Unemployment Rate **	15-20%
Per Capital Food Expenditures (U.S. Dollars)	\$3,129
Percent of Female Population Employed**	10%
Exchange Rate	\$1 =3.75 SR

* Data for 2003 obtained from the FAS Global Agricultural Trade System using data from the United Nations Statistical Office.

**Major local banks estimate for 2005

Table B. Consumer Oriented Foodstuffs Imports

Saudi Arabia Imports (In Millions of Dollars)	Imports from the World			Imports from the U.S.			U.S. Market Share		
	2001	2002	2003	2001	2002	2003	2001	2002	2003
CONSUMER-ORIENTED AGRICULTURAL TOTAL	\$2,567	\$2,676	\$3,092	\$141	\$122	\$138	5%	5%	4%
Snack Foods (Excl. Nuts)	152	159	205	6	4	5	4	3	2
Breakfast Cereals and Pancake Mix	12	16	21	2	1	1	15	5	4
Red Meats, Fresh/Chilled/Frozen	150	200	224	5	5	11	3	2	5
Red Meats, Prepared/Preserved	19	20	26	3	3	4	16	15	15
Poultry Meat	389	331	449	2	1	2	1	0	0
Dairy Products (Excl. Cheese)	362	389	475	1	1	1	0	0	0
Cheese	197	212	248	2	2	2	1	1	1
Eggs and Products	10	13	18	1	1	3	1	2	18
Fresh Fruit	283	310	307	9	8	8	3	3	3
Fresh Vegetables	101	141	119	2	1	1	2	1	1
Processed Fruit and Vegetables	166	171	203	26	25	26	16	15	13
Fruit and Vegetable Juices	85	88	103	24	18	4	28	20	4
Tree Nuts	20	25	27	4	4	6	20	16	20
Nursery Products and Cut Flowers	10	9	10	1	1	1	3	9	3
Pet Foods (Dog and Cat Food)	2	2	3	1	1	1	16	12	8
Other Consumer-Oriented Products	611	591	653	53	49	64	9	8	10
FISH and SEAFOOD PRODUCTS	127	126	127	1	1	1	1	1	1
Salmon	10	15	25	1	1	1	1	0	0
Surimi	1	2	5	0	1	1	0	1	0
Crustaceans	16	14	13	1	1	1	1	1	5
Groundfish and Flatfish	31	20	21	1	1	1	1	0	0
Molluscs	1	1	1	1	1	1	18	15	28
Other Fishery Products	70	74	63	1	1	1	0	1	1
AGRICULTURAL PRODUCTS TOTAL	\$4,438	\$4,815	\$5,322	\$420	\$307	\$235	9%	6%	4%
AGRICULTURAL, FISH and FORESTRY TOTAL	\$4,925	\$5,333	\$5,825	\$452	\$331	\$254	9%	6%	4%

Source: Latest available FAS' Global Agricultural Trade System using data from the United Nations Statistical Office. This data is based on Cost and Freight values.

Table C. Consume-Oriented Agriculture Total

CONSUMER-ORIENTED AGRICULTURAL TOTAL - 400				FISH and SEAFOOD PRODUCTS - 700			
Reporting: Saudi Arabia – Top 15 Ranking	Import	Import	Import	Reporting: Saudi Arabia – Top 15 Ranking	Import	Import	Import
	2001	2002	2003		2001	2002	2003
	Value (1000\$)	Value (1000\$)	Value (1000\$)		Value (1000\$)	Value (1000\$)	Value (1000\$)
Brazil	276,642	310,376	356,934	Yemen	25,375	33,522	33,863
Netherlands	208,329	205,554	262,991	Thailand	29,422	28,599	22,816
France	233,798	191,902	241,494	United Arab Emirates	17,644	16,848	22,377
Ireland	171,097	157,100	176,804	Oman	10,967	6,874	8,201
Australia	148,085	168,006	161,944	Taiwan (Estimated)	5,569	5,851	5,497
Denmark	99,041	122,521	147,381	Indonesia	4,659	2,393	4,055
New Zealand	101,723	94,244	139,376	Japan	7,009	5,519	4,032
United States	140,875	121,681	137,879	Pakistan	3,236	3,162	3,341
Egypt	84,110	98,777	127,038	Singapore	412	674	3,233
Germany	87,748	93,479	106,855	Bahrain	4,007	4,380	2,897
Syria	96,350	128,001	101,205	Bangladesh	6,094	5,643	2,875
United Arab Emirates	76,411	76,965	76,410	Qatar	1,937	1,935	1,801
China (Peoples Republic of)	63,142	64,020	76,269	Uruguay	653	1,092	1,405
India	56,475	57,371	75,211	United States	711	814	1,351
Turkey	68,651	80,410	73,365	Morocco	1,079	1,153	1,317
Other	654,747	705,646	830,752	Other	8,479	7,693	8,034
World	2,567,303	2,676,144	3,091,944	World	127,263	126,170	127,107

Source: Latest available FAS' Global Agricultural Trade System using data from the United Nations Statistical Office. This data is based on Cost and Freight values.